

Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 IO-10 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 SP-02 AID-05 NSC-05 CIEP-01 TRSE-00

SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-02 H-01

PA-01 PRS-01 /098 W

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O R 031539Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 8825

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY SANTIAGO

USMISSION GENEVA

C O N F I D E N T I A L LONDON 03204

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: CI, EFIN, UK

SUBJECT: CHILE DEBT RESCHEDULING

REF: A) STATE 45567 B) LONDON 3088

1. WE BELIEVE IT DESIRABLE FOR USG TO INFORM BRITISH
DIRECTLY OF THE APPROACHES WE ARE MAKING TO OTHER
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GOVERNMENTS (REF A), RATHER THAN HAVE THEM HEAR OF IT

FROM THIRD PARTIES. IF THIS HAS NOT ALREADY BEEN DONE IN WASHINGTON, WE REQUEST AUTHORIZATION TO INFORM HMG HERE, FULLY ELABORATING US VIEWS IN REF A. AS STATED REF B, AND FOR REASONS THAT ARE AMPLIFIED BELOW, LABOR GOVERNMENT IS UNDER SUCH IMMENSE DOMESTIC PRESSURE ON THIS ISSUE, THAT ANY PROSPECTS IT MIGHT BE PERSUADED TO ALTER ITS STAND ARE REMOTE INDEED.

2. IN DECIDING NOT TO ATTEND PARIS CLUB MEETING ON CHILE DEBT RESCHEDULING, HMG WAS RESPONDING TO STRONG EMOTIONAL ANTAGONISM TO PRESENT CHILEAN GOVERNMENT THAT EXTENDS ACROSS THE POLITICAL SPECTRUM OF THE BRITISH LABOR PARTY AND TRADE UNION MOVEMENT. THE INTERNATIONAL SECRETARY OF THE LABOR PARTY INFORMED US LAST MARCH, IN THE EARLY DAYS OF THE NEW LABOR GOVERNMENT, THAT FOR THE OVERWHELMING MAJORITY OF LABOR'S RANK-AND-FILE SUPPORTERS THE GOVERNMENT'S POLICY TOWARDS CHILE WOULD BE REGARDED AS THE TOUCHSTONE OF ITS "MORALITY" IN INTERNATIONAL RELATIONS. THERE WAS AN UPROAR IN THE PARTY LAST SUMMER WHEN THE CABINET DECIDED TO GO AHEAD WITH THE SALE OF TWO FRIGATES TO CHILE THAT HAD BEEN AUTHORIZED BY PREVIOUS CONSERVATIVE GOVERNMENT. THE RESENTMENTS GENERATED BY THAT DECISION MADE IT DOUBLY DIFFICULT THIS TIME FOR THE CABINET TO RESIST DEMANDS THAT HMG REFUSE TO RESCHEDULE CHILE'S DEBTS.

3. A POLITICAL ADVISOR CLOSE TO FOREIGN SECRETARY CALLAGHAN HAD TOLD US THAT MANY PEOPLE IN THE LABOR PARTY WHO ARE NORMALLY RIGHT-WING, PRO-NATO, AND PRO-AMERICAN, FEEL A PROFOUND REPUGNANCE TOWARDS THE CHILEAN GOVERNMENT AND ITS RECORD ON CIVIL RIGHTS. THEY BELIEVE IT IS DOOMED TO COLLAPSE SOONER OR LATER, AND THAT THE DEBTS WILL NEVER BE REPAID IN ANY EVENT. THE ISSUE, THEN, IS NOT ONE OVER WHICH THEY ARE PREPARED TO OUTRAGE THE CONSCIENCE OF THE PARTY.

4. WE HAVE ALSO BEEN RELIABLY INFORMED THAT THE BRITISH, USING PARTY RATHER THAN GOVERNMENT CHANNELS, HAVE APPROACHED THE GERMANS, THE SWEDES, AND OTHER SOCIALIST GOVERNMENT CREDITORS WITH A REQUEST THAT THEY

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FOLLOW THE UK LEAD AND ABSENT THEMSELVES FROM THE PARIS CLUB MEETINGS SCHEDULED FOR MARCH 24-25.

RICHARDSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBT REPAYMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON03204
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750073-1012
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750389/aaaadcgf.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 45567, 75 LONDON 3088
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by ShawDG>; APPROVED <17 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHILE DEBT RESCHEDULING
TAGS: EFIN, CI, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006